

## Message Text

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PAGE 01 LISBON 02916 061633Z

44

ACTION EUR-25

INFO OCT-01 ADP-00 EB-11 COME-00 INT-08 SCEM-02 OMB-01

TRSE-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-15 IO-13

RSR-01 /130 W

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R 061555Z AUG 73

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 8315

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E.O. 11652: N/A

TAGS: EIND, BDIS, PO

SUBJECT: POL DISTRIBUTION IN PORTUGAL

REF: (A) LISBON 2856, (B) LISBON 2813

SUMMARY: GOP DIRGEN FOR FUELS CONFIRMS GOP INTENTION TO INCREASE ROLE OF NATIONAL OIL COMPANIES IN RETAIL DISTRIBUTION OF PETROLEUM PRODUCTS AT EXPENSE INTERNATIONAL COMPANIES TO WHOM GOP LOOKS FOR INCREASED ACTIVITY IN ENDEAVORS WHERE PORTUGUESE FIRMS LACK TECHNOLOGICAL CAPABILITY. END SUMMARY

1. CHARGE CALLED AUGUST 2 ON DIRGEN FUELS MOURA VICENTE TO ASSESS GOP POSITION REGARDING INTERNATIONAL OIL COMPANIES' PROBLEMS DESCRIBED REFTELS. MOURA VICENTE, EXPRESSING HIMSELF WITH CONVICTION AND AUTHORITY, MADE FOLLOWING POINTS. (A) INTERNATIONALS (MOBIL, SHELL, BP) ARE DISINGENOUS IN CLAIMING THEY TAKEN BY SURPRISE ON 1973 QUOTAS. GOP SIGNALS GOING BACK THREE YEARS UNMISTAKABLE, AND AUGUST 1972 DECREE EXPLICIT ON POINT THAT INTERNATIONALS WOULD NOT RECEIVE QUOTAS EXCEEDING 1972 LEVELS, CLEARLY IMPLYING LIMITED OFFICIAL USE

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PAGE 02 LISBON 02916 061633Z

THEY MIGHT WELL DROP BELOW. SUPPLEMENTARY QUOTA

ANNOUNCEMENT NORMALLY ISSUED IN AUGUST WAS ISSUED IN MAY THIS YEAR TO ALLOW INTERNATIONALS EXTRA TIME TO ADJUST. IN MOURA VICENTE'S VIEW INTERNATIONALS CHOSE TO DISCOUNT SERIOUSNESS OF GOP INTENTIONS AND NOW HAVE GROUNDLESS CLAIM THAT WARNING INSUFFICIENT. (B) PORTUGAL PLAGUED BY EXCESS SERVICE STATIONS, NOT ONLY MOBIL'S. SACOR WILL HAVE TO CUT 40-50 PERCENT OF ITS OUTLETS TO ACHIEVE RATIONAL LEVEL. CUT-BACKS WOULD AND SHOULD AFFECT ALL DISTRIBUTING COMPANIES. MOREOVER, MOBIL'S PROFITABILITY HIGHER THAN THAT OF OTHER FOUR DISTRIBUTORS AND HIGHER IN PORTUGAL THAN IN OTHER EUROPEAN COUNTRIES WHERE MOBIL OPERATES, SO CUT-BACKS HARDLY MEAN RUIN OF COMPANY. TAKING LONG TERM VIEW, MOURA VICENTE STATED GOP ENVISIONS 80 PERCENT - 20 PERCENT SPLIT FAVORING NATIONAL DISTRIBUTORS BY 1985, WHEN EEC AGREEMENT REQUIRES NON-QUOTA POLICY. GOP PROBABLY CANNOT ENFORCE 80-20 SPLIT AFTER 1985, BUT AIMS TO SET PATTERN IN ADVANCE. (C) CONSIDERING ALTERNATIVES TO DISTRIBUTION, WHICH GOP FEELS SACOR AND SONAP FULLY CAPABLE OF PERFORMING, MOURA VICENTE SAID GOP LOOKS TO INTERNATIONALS TO PARTICIPATE IN PORTUGUESE ECONOMY THROUGH UNDERTAKINGS IN FIELDS WHERE PORTUGUESE TECHNOLOGY INSUFFICIENT, SUCH AS OFFSHORE EXPLORATION, PETROCHEMICAL DEVELOPMENT, AND ESTABLISHMENT "NEW INDUSTRIES" IN PORTUGAL. HE DID NOT SPECIFY LATTER, BUT NOTED THAT MOBIL AS A LARGE CONGLOMERATE CAN CALL UPON WIDE RANGE OF TECHNOLOGY NOT AVAILABLE TO PORTUGUESE FIRMS. (D) CONCERNING POSSIBLE 12 PERCENT PARTICIPATION IN PETROSUL REFINERY BY FOREIGN COMPANY, MOURA VICENTE CONFIRMED THAT FOREIGN COMPANY MAKING SUCCESSFUL BID FOR THAT POSITION WOULD ENJOY ENLARGED DISTRIBUTION QUOTA. HE MADE POINT PETROSUL UNDER NO OBLIGATION TO AWARD 12 PERCENT AND WOULD NOT DO SO UNTIL IT RECEIVED SUFFICIENTLY REWARDING OFFER. PRESENT OBSTACLE IS RELUCTANCE INTERNATIONALS TO CONTRACT FORWARD ON CRUDE SUPPLIES PETROSUL NEEDS OR TO ASSURE EXPORT MARKETING FOR PETROCHEMICALS. MOURA VICENTE SYMPATHETIC TO CRUDE FORECASTING PROBLEMS AFFLICTING INDUSTRY WORLDWIDE.

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PAGE 03 LISBON 02916 061633Z

2. CHARGE THANKED MOURA VICENTE FOR HIS DETAILED AND FRANK EXPOSITION OF GOP POSITION. HE NOTED THAT, IN ADDITION TO HIS DESIRE TO SEE THE LEGITIMATE INTERESTS OF AN AMERICAN FIRM PROTECTED, HE WAS CONCERNED OVER THE BROADER ISSUE OF PORTUGUESE-AMERICAN RELATIONS. IF THE LEGITIMATE INTERESTS OF AN AMERICAN FIRM LONG ESTABLISHED IN PORTUGAL WERE TO SUFFER, THE EFFECTS COULD REVERBATE WITHIN THE FINANCIAL AND BUSINESS

COMMUNITY IN THE U.S. WHERE PORTUGAL HAS MANY FRIENDS IT CAN ILL AFFORD TO LOSE. MOURA VICENTE DISCOUNTED THIS ARGUMENT. HE REITERATED THE SUBSTANTIAL PROFITABILITY MOBIL ENJOYS IN PORTUGAL. HE NOTED THAT PORTUGAL IS BY NO MEANS THE FIRST OR ONLY COUNTRY TO WANT TO KEEP THE BULK OF PETROLEUM DISTRIBUTION IN THE HANDS OF NATIONAL COMPANIES, CITING THE U.S. AS AN EXAMPLE. AND HE CONCLUDED BY NOTING THAT MOBIL'S ALLEGED DIFFICULTIES HAD NOT LESSENED THE INTEREST IN INVESTING IN PORTUGAL ON THE PART OF ESSO AND THE SUN-AMERADA-PHILLIPS GROUP, WHO HAD JUST MADE SUCCESSFUL BIDS FOR OFFSHORE CONCESSIONS.

3. COMMENT: MOURA VICENTE WAS DISTINCTLY UNSYMPATHETIC TOWARDS MOBIL WHICH HE CLEARLY FEELS HAS BEEN DOING EXCESSIVELY WELL IN PORTUGAL. THERE WAS UNDERCURRENT TO HIS PRESENTATION THAT, GIVEN LUMPS INTERNATIONAL OIL COMPANIES HAVE TAKEN ELSEWHERE (E.G. OPEC COUNTRIES), THEY SHOULD HAVE NO COMPLAINT REGARDING "MILD" MOVES BY GOP WHICH STILL WELCOMES THEM IN FIELDS WHERE PORTUGUESE NOT NOW COMPETENT.  
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## Message Attributes

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